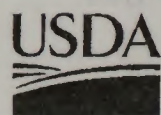


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Fact Sheet

April 1999



United States
Department of
Agriculture

**Rice: 1999 Marketing Assistance Loan
and Loan Deficiency Payment Programs**

Program Overview

The marketing assistance loan program provides loans to eligible producers on rough rice provided as loan collateral at farm or warehouse locations.

Producers are allowed to deliver the rice to the Commodity Credit Corporation (CCC) upon maturity of the loan as full repayment of the loan obligation. These loans assist producers to extend marketing periods and stabilize prices. A reduced repayment provision, when applicable, helps U.S. rice prices remain competitive in world markets.

A loan deficiency payment (LDP) is a payment made to a producer who, although eligible to obtain a marketing assistance loan, agrees to forgo the loan in return for the LDP. LDPs are not available for rice previously pledged as collateral for a price support loan. An LDP payment is available only when the adjusted world price is below the loan rate.

Eligible Producer

A producer is eligible to receive a marketing assistance loan if the producer shares in the risk of producing the rice on a farm and has beneficial interest in the rice for which the loan is requested. Only rice owned by the producer is eligible, and loans must be repaid before the rice is sold or beneficial interest of the producer terminates. Also, the farm must have an approved production flexibility contract. Approved cooperatives may obtain loans on behalf of their eligible producer members.

Acreage Certification Requirement

Producers are required to certify their acreage for crops for which marketing assistance loan or LDP benefits will be requested. The final date to certify rice acreage is July 15 before harvest.

Eligibility: Rice Quality Requirements

Rice (*Oryza Sativa*) must meet the definition for rough rice provided in the *United States Standards for Rice* and must have been produced in 1999. Grains referred to as wild rice are ineligible.

Aromatic rice (such as Jasmine varieties) must be pledged under a loan agreement separate from non-aromatic rice. Aromatic rice delivered to CCC must be delivered to CCC-approved storage that is able to store such rice. Producers shall not receive any credit for expenses incurred in the delivery of aromatic rice to storage.

Loan Rate

The national average loan rate for the 1999-2002 crops of rice is \$6.50 per hundredweight (cwt). To achieve this national average rate and provide rate adjustments for different classes and qualities of rice, separate loan rates are provided for whole and broken milled rice kernels. For 1999-crop rice, the whole kernel loan rates per pound are 10.66 cents for long grain and 9.66 cents for medium and short grain. The broken kernel rate is 5.33 cents per pound. Additionally, discounts apply to rice that is U.S. Grade #3 or lower.

Farm And Warehouse Stored Loan Rates

Loan rates for farm-stored rice (or rice for which the grade and milling yield are not determined) are based on state average grade and milling qualities for the prior three years. The farm-stored marketing assistance loan rates for 1999-crop rice are:

	Long Grain	Medium Grain	Short Grain
	(\$/cwt)	(\$/cwt)	(\$/cwt)
Arkansas	6.68	6.30	6.04
California	6.43	6.07	6.04
Louisiana	6.58	6.10	6.04
Mississippi	6.60	6.12	6.04
Missouri	6.69	6.12	6.04
Texas	6.87	6.15	6.04
Other (USA Avg)	6.67	6.12	6.04

Loan rates for warehouse-stored rice are based on class, quality, and milling yield determinations obtained from grading and milling a sample of the individual lot of rice. The milling quality of rice is the quantity of milled whole and milled broken kernels produced when rough rice is well milled. Milling quality is determined by milling a sample of the rice. The following example assumes that the milling of 1 cwt of long grain rice yields 55 pounds of whole kernels, 15 pounds of broken kernels, and 30 pounds of hulls and bran (for which no loan value is provided). The loan value for long grain rough rice of this milling quality would be calculated as follows:

55 lbs whole x 10.66 cents/lb	=	\$5.86
15 lbs broken x 5.33 cents/lb	=	0.80
Loan value per cwt rough rice		\$6.66

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Applicable discounts may be applied to this rate for grade or smut. Costs associated with storing rice while under loan are the responsibility of the producer.

Discounts for Grade and Smut

Loan rates are subject to discounts for grade and smut content. Rice must be U.S. Grade #5 or better for loan eligibility. Discounts for grade (per cwt of rough rice) are 30 cents for Grade #3, 60 cents for Grade #4, and \$1.00 for Grade #5. If upon delivery to CCC, the rice is found to be lower than Grade #5, the rice is discounted \$2.00 for Grade #6 and \$5.50 for sample grade. Sample grade rice may be subject to additional discounts.

Smutty rice contains over 3.0 percent smut and is ineligible for loan.

Discounts (per cwt of rough rice) for smut content are 5 cents for 0.1 to 1.0 percent smut; 10 cents for 1.1 to 2.0 percent smut; and 15 cents for 2.1 to 3.0 percent smut.

Availability Period and Maturity

Loans and LDPs are available upon harvest of the rice through May 31 of the following year. Loans mature on demand, but not later than the last day of the 9th calendar month after the month in which the loan was disbursed. Loans may be repaid at any time before the loan maturity date.

Loan Repayment And Settlement

A marketing assistance loan can be (1) repaid at the lower of the loan rate plus accumulated interest or the adjusted world price of rice, or (2) settled in full upon maturity by delivery to CCC of the rice provided as collateral for the loan.

Announcement of World Price and LDP Rates

The world price of rice is announced every Tuesday at 3 p.m. Eastern Standard Time, along with applicable marketing loan gains and LDP rates. If the Tuesday is a Federal holiday or not a Government workday, the announcements are made on the next workday. Announced world prices and rates are applicable until the next announcement. Producers can obtain these prices and rates from their local Farm Service Agency office.

The prices, as well as other agency news releases and media advisories, are available on the World Wide Web at the Farm Service Agency home page: <http://www.fsa.usda.gov>

If the world price is below the loan rate when the loan is repaid, the producer is allowed to retain the difference between the loan rate and the world price. This retained amount is referred to as the marketing loan gain. Marketing loan gains and LDP rates are calculated and announced separately for long, medium, and short grain rice based on national average qualities of rice and are not adjusted for individual loans. Gains and LDP rates are announced weekly along with the world price levels.

Loan repayments at a rate less than the loan rate plus accumulated interest are not accepted during the 1-hour period preceding the announcement unless the repayment rate has been locked in using a CCC 681-1. (Loans repaid at the original loan rate plus interest are not subject to this restriction.) Also, loans repaid under the marketing loan provision require submission of acceptable production evidence.

World price levels are calculated based on the prices of milled rice in major world markets and U.S. costs of exporting milled rice.

Interest Rate

The interest rate charged on loans is based on the rate charged by the U.S. Treasury to CCC plus 1 percentage point. Any loans outstanding as of December 31 will be subject to the January interest rate from January 1 until the loan is repaid.

LDPs for Rice Sold Upon Harvest

LDP provisions are active when the repayment rate at a given location is less than the base loan rate at the same location.

Producers may receive LDPs for rice delivered directly from the field to a processor, buyer, warehouse, or cooperative and receive the LDP rate effective on the date of delivery. Request for such payments must be made on or before the date of harvest. Rice quantities included under such requests are not eligible for price support loans, even if the LDP rate on the date of delivery is zero.

Limitation of Loan Gains and LDPs

Gains from repayment of one or more loans at a rate lower than the original loan rate and from LDPs may not exceed \$75,000 per person for all marketing assistance loan commodities.

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